

## WORKERS' COMP SELF-INSURED FUND SHOWS DEFICIT

### *Kentucky School Boards Insurance Trust required to provide letter of credit*

FRANKFORT, Ky. (June 24, 2005) – One of the seven workers' compensation self-insured groups doing business in Kentucky has been ordered to provide a \$6.5 million letter of credit to the Kentucky Office of Insurance (KOI) to serve as additional security for payments of the fund's liabilities and claims.

The Kentucky School Boards Insurance Trust Workers' Compensation Fund (KSBIT) began a plan of remediation in May 2003, when it was regulated by the Office of Workers' Claims (OWC). As of Dec. 31, 2004, KSBIT reported an audited deficit balance of about \$5 million.

In addition to the letter of credit, the KOI order requires KSBIT to provide written affirmation of the joint and several liability agreement from each member and a plan for eliminating the deficit. The order states that an assessment of members may be ordered if the fund does not make satisfactory progress.

“Obviously, we were concerned about the deficit and wanted to take action to protect the members, especially the injured workers who rely on the fund,” said Glenn Jennings, KOI executive director. “Given the solid and permanent nature of school boards in Kentucky, we believe this is a deficit KSBIT can overcome. However, we will continue to monitor the situation closely.”

KSBIT provides workers' compensation coverage for about 100 school districts in the state.

Regulatory authority over workers' compensation group self-insured funds was moved to KOI from OWC by order of Governor Ernie Fletcher in August 2004. The move was ratified by the 2005 General Assembly as part of Senate Bill 86.

An eighth fund, AIK Comp, was placed in rehabilitation in August.